

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of) DOCKET NO. 2008-0273
)
PUBLIC UTILITIES COMMISSION)
)
Instituting Proceedings to)
Investigate the Implementation)
Of Feed-in Tariffs.)
_____)

CITY AND COUNTY OF HONOLULU'S
OPENING STATEMENT OF POSITION
AND
CERTIFICATE OF SERVICE

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PUBLIC UTILITIES
COMMISSION

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CITY AND COUNTY OF HONOLULU'S
OPENING STATEMENT OF POSITION

The CITY AND COUNTY OF HONOLULU (City), by and through its attorneys, Corporation Counsel, Carrie K. S. Okinaga, and Deputy Corporation Counsel, Gordon D. Nelson, hereby submits its Opening Statement of Position regarding the implementation of feed-in tariffs for Hawaiian Electric Company, Inc., Maui Electric Company Ltd. and the Hawaii Electric Light Company, Ltd. (collectively: HECO):

1. The City does not propose specific feed-in tariff designs or pricing methods.
2. It joins in the Opening Statement of Position of Carl Freedman, dba Haiku Design and Analysis (HDA), as identifying several important general issues need to be addressed before specific tariff designs or pricing methods can be decided. As an example the Joint Proposal filed by HECO and the Consumer Advocate has identified a number of different objectives or goals without indicating their priority. In response to Information Requests, however, HECO acknowledged that its objective was primarily

the orderly introduction of renewables. Clearly, however, other parties in this matter view the main goal of PBFITs to be the encouragement of as much use of renewable resources as possible, as soon as possible. These differing views of the objectives to be achieved lead to different proposals for tariff design tariff policies. Greater clarity on objectives and general issues is desired.

3. The Joint Proposal filed by HEC0 and the Consumer Advocate contemplates a project-based feed-in tariff ("PBFIT") limited initially to four technologies, with low caps and a focus on interconnection at the distribution level. As such, does not appear to fit well with any near term plans of the City to expand its generating capacity. It seems unlikely that the City would submit any project under a PBFIT in the form presently proposed by HEC0 and the Consumer Advocate.

4. Subject to the foregoing general observations and caveats, the City sets forth the following opening positions:

5. It is the City's position that biomass and biogas technologies should be included in initial round of the PBFIT. There has been Hawaii experience with biomass projects and there are potential biomass and biogas projects close to being ready for development. Further, these technologies offer firm, dispatchable energy and pose fewer difficulties for integration into the HEC0 grid.

6. At some point, the Commission will need to clarify the eligibility of municipal solid waste technology for the PBFIT. It is a form of biomass technology as currently defined under Hawaii's RPS standards. Despite that, it is not covered initially by the Joint Proposal, nor does it appear that alternative proposals will necessarily cover this technology.

7. A PBFiT should be an option for a renewable energy generator. Smaller generators who also qualify for net-metering should have the option to sell their energy under that regime, which should not be eliminated as part of the adoption of a PBFiT. Larger generators who would prefer to enter into a traditional avoided cost PPA should be free to pursue that alternative, as HEC0 and the CA propose.

8. If it is accepted that the purpose of PBFiTs is to encourage rapid development of renewable energy projects, there should be no caps, at least for the initial five to ten years of development experience under this tariff. After that, an assessment of the need for caps could be made. If caps are considered, they should be significantly higher than the caps contemplated by the Joint Proposal

9. The European experience suggests that a "must-take" requirement is critical to the effectiveness of a PBFiT; that the tariff must find a way to eliminate limitations or barriers to connection. HEC0 and the CA have proposed that all of the cost of interconnection be bourn by the developer, but the Commission should consider whether to provide for some degree of cost sharing. In any event, the tariff should provide for the developer's recovery of interconnection costs as part of the price received.

10. Requiring HEC0 to purchase only the net output at the PBFiT price appears to be consistent with past practice in connection with Power Purchase Agreements, and the City would support that design feature.

11. The PBFiT's term of obligation should be no less than 20 years. Shorter contracts require higher tariffs and thus pose greater difficulties in arriving at realistic prices. Longer terms allow lower initial tariffs, which benefits consumers

12. With respect to post-contract production, HEC0 and the CA have suggested that the parties could agree to continue to operate under the PBFiT rate on a year-to-year basis. That begs the question when the parties cannot agree. Perhaps the utility should be required to continue to purchase all post-contract production, but at a discounted wholesale green rate (discounted because it is not a new source). This would benefit the utility and its ratepayers by guaranteeing a continuing source of inexpensive green power and would benefit the developer by extending its income stream.

13. Protection of developers and their investors against inflation needs to be made a feature of a PBFiT or, alternatively, the initial tariff will have to be higher to take account that the inflation risk is being assumed by the developer.

14. The City agrees that a well designed PBFiT should remunerate clean power developers for actual power produced instead of rewarding developers for achieving preliminary milestones in the development process.

15. To the extent permissible, the PBFiT price should be time-differentiated to encourage on-peak production for technologies that can follow load.

16. The City does not believe renewable energy developers should be required to assign tax credits, renewable energy credits, carbon credits or similar credits to the utility. The basic PBFiT price should be set without consideration of these credits. If the developer negotiates with the utility for an assignment of such credits, this should be a separate contract, or at least a separate pricing component.

17. The City agrees with the general principle that the PBFiT should "do no harm". More specifically, its position is that existing generators on the HEC0 grid should


not be financially harmed by increasing curtailments that may result from the addition of more distributed generation to the HEC0 grid.

18. The City is aware that other parties in this matter will be proposing an alternative tariff with specified prices. It is the City's position that there is insufficient information available at this point to make judgments about proper pricing.

DATED: Honolulu, Hawaii, February 25, 2009.

Respectfully submitted,

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Corporation Counsel

By 

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CERTIFICATE OF SERVICE

The foregoing document was served on the date of filing by electronic transmission on the date of signature to each of the parties listed below.

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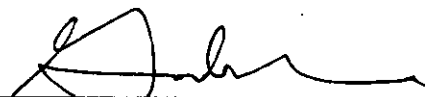
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DATED: Honolulu, Hawaii, February 25, 2009.

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By 

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